

Goal 3: Support an effective and efficient work force structured to accomplish Departmental missions and assure contractor worker pension and medical benefits

Long-Term Measure

Reduce the cost to administer benefits to retired contractor workers, while ensuring benefits are delivered according to schedule with no interruptions and without improper payments. Reduction is measured in cost per person per year. Based upon current program assumptions, the goal is 1 percent reduction over the long-term (FY 2015).

Work Force Activities

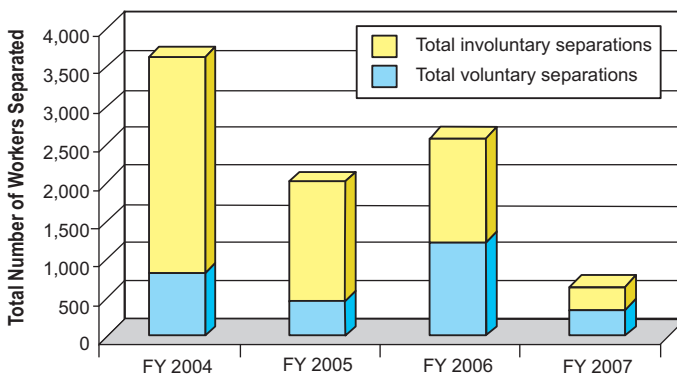
As the Cold War came to an end, Congress appropriated funding through the National Defense Authorization Act for FY 1993 (Section 3161) to mitigate the impact on DOE contract workers and to provide assistance to communities impacted by DOE downsizing.

Section 3161 authorized DOE to provide enhanced benefits to separated contractor workers (e.g., enhanced severance payments; educational, outplacement, and relocation assistance) in addition to benefits provided under contract.

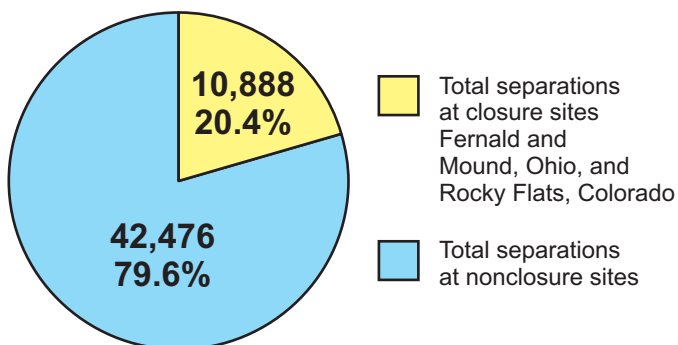
- To implement Section 3161 provisions, DOE established the Office of Worker and Community Transition (WT) on September 15, 1994. WT became part of LM when it was established in December 2003.
- Between FY 1993 and FY 2005, Congress appropriated over a billion dollars for work force separation benefits and activities across the DOE complex. Approximately 53,000 contract-worker separations have occurred.
- Since 1993, nearly 45,000 jobs have been created or retained through community transition activities. These activities were funded by \$264 million in Section 3161 and other DOE grants to 15 community reuse organizations (CROs) at sites impacted by downsizing at DOE facilities.

With the downsizing of the complex and near-term EM sites closure efforts almost complete, DOE stopped requesting community transition funds in FY 2004 and Congress stopped appropriating funds in FY 2005. LM closed out the majority of the CRO grants as funds were exhausted. CROs at the following four locations still have funds: Hanford, Washington; Mound, Ohio; Oak Ridge, Tennessee; and Portsmouth, Ohio.

Total Contractor Separations From Fiscal Years 2004–2007



Closure Site Separations as a Percentage of All Separations, Fiscal Years 1993–2007



The number of DOE contractor separations across the complex has decreased significantly over the past decade. On the first chart on page 20, “Total Contractor Separations From Fiscal Years 2004 –2007,” the three closure sites; Fernald and Mound, Ohio; and Rocky Flats, Colorado; represented 30 percent of contractor layoffs in FY 2004. Both voluntary and involuntary separations were down dramatically in FY 2007.

It should be noted on the second chart, “Closure Site Separations as a Percentage of All Separations, Fiscal Years 1993–2007,” that by FY 2007 all remaining contractor workers were separated from the three closure sites. These workers represented 20.4 percent of all contract worker separations during the period of FY 1993 to FY 2007.

Cost Projections for Pensions and Post-Retirement Benefits

LM developed a cost-estimating model that provided 5-year budget cost projections of pension and post-retirement medical costs at high, intermediate, and low levels. All projections are estimated using the plan provisions, actuarial assumptions, and actuarial methods used for the most recent plan valuation. These projections are for budget cost estimate purposes only and are not designed to take the place of an annual actuarial valuation. The projections may differ significantly from actual valuation results because they become less accurate over time, as the actual experience used in the valuations deviates from the assumptions used in the projections. Each year the program is updated with the prior year’s valuation results and reviewed for the reasonableness of assumptions and methods. Output from the model, coupled with expert review and opinion by LM’s actuary, is the foundation for LM’s budget request.

Benchmark Cost Savings Analysis

LM contracted with DOE’s actuarial firm to benchmark medical benefits at DOE sites to the Federal Employee Health Benefit Program, a market-based plan and a composite “best in class” plan. Key findings were:

- Significant variances occurred among DOE contractor plans.
- On average, employees of DOE contractors contribute less for medical coverage than employees of other employers.
- Combining plan features and contributions, DOE contractors had richer benefits on a net-cost basis than the three groups used for comparison.
- Liabilities associated with DOE contractor retiree medical benefits would be less if based on the benchmark plans versus the DOE contractor plans.

Pension and Benefit System

LM developed an electronic central depository system of pension and post-retirement benefit information which facilitates reporting and responding to requests and eliminates duplicate data requests to the contractors. System objectives include:

- Providing information necessary to implement effective cost estimating, budget development, and execution.
- Facilitating planning and analysis by the Benefit Continuity Team.
- Centralizing storage of disparate electronic and hardcopy data.
- Facilitating decision making based upon searching, querying, and reporting capabilities.
- Integrating with LM business processes and Chief Financial Officer financial liability processes.
- Serving as a DOE model for pension and benefit information management.

The system life cycle covers: (1) budget development, cost estimates, and budget formulation, (2) execution, performance data, actual costs, and financial liabilities, and (3) analysis. It is a Web-based application, which is linked with the Work Force Information System (WFIS) site.

Contractors' Actions to Reduce Pension Cost Volatility

LM desires that funding for the pension plans be stable and predictable. Asset investment strategies should support the ultimate attainment of full funding and a stable, predictable contribution pattern. While LM cannot dictate how pension trust funds are invested because it does not have a fiduciary role in the pension, it has encouraged the plan sponsors to have investment approaches that are consistent with DOE's desires. Plan sponsors are ultimately

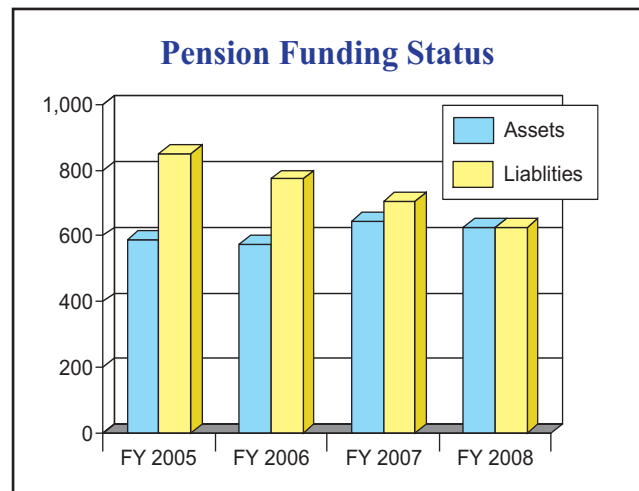
responsible for how pension funds are invested. DOE is encouraged that some plan sponsors have taken steps that result in more stable and predictable funding requirements.

Work Force Information System

WFIS is DOE's corporate-level mechanism for recording, storing, and assessing compensation and benefits, equal employment opportunity, and other information about employees of contractors who operated DOE's production, research, and other facilities, or performed environmental cleanup. LM is the corporate owner of WFIS and assists DOE Federal and contractor employees in obtaining access and resolving problems with the system. In addition to LM, module owners include the Office of Management and the Office of Equal Rights and Diversity. The application is accompanied by a *Users Manual* and *Work Force*

This graph represents a snapshot of the financial condition of the closure site pension plans through the end of FY 2008. It is based on data collected by the Chief Financial Officer for DOE's financial statement and shows an improvement in the funding status of the pension plans. This improvement in funding status mitigates cost volatility and facilitates more accurate forecasting of future budget needs.

Note: The liabilities are based on a snapshot of yield rates for highly-secured corporate bonds. A higher yield rate lowers the liability. Therefore, the progressive improvement in funding status is due in part to progressively higher yield rates of corporate bonds.



Pension Funding Status (in millions of dollars)

	FY 2005		FY 2006		FY 2007		FY 2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fernald	56.2	82.0	38.5	65.7	31.6	37.4	30.9	32.8
Rocky Flats	317.6	541.0	328.7	486.4	396.2	471.6	401.6	421.3
Mound	74.9	105.0	69.6	103.1	74.6	86.0	68.1	72.0
Pinellas	138.5	122.4	137.0	118.5	140.7	110.5	124.0	98.4
Total	587.2	850.4	573.8	773.7	643.1	705.5	624.6	624.5

Information System Handbook. WFIS is used by approximately 200 employees throughout the DOE complex. An updated version of WFIS was activated in March 2007. WFIS is on the Web at <https://wfis.LM.doe.gov/wfis/default.asp>.

Labor Standards and Labor Relations

LM oversees, assists, and provides guidance and policy on labor standards and labor relations to DOE field offices and Headquarters elements. As DOE's senior labor advisor, LM provides labor standards training to field offices every two years. Labor standards collectively refers to the Service Contract Act (SCA) and the Davis-Bacon Act (DBA). DOE determines coverage for contracts and procurements consistent with SCA and DBA. In FYs 2004, 2006, and 2008, LM provided field office contractor industrial relations and procurement specialists focused labor standards training by experienced labor advisors from DOD and the U.S. Department of Labor (DOL) and other outside consultants.

FY 2004

- Became responsible for ensuring that DOE's post-closure responsibilities including the administration of long-term pension and medical benefits for former contractor personnel and environmental surveillance and maintenance are fulfilled.
- Administered selected post-retirement and post-closure benefits for former contractor personnel at the Pinellas site.
- Administered certain pre-existing liabilities and long-term contractor liabilities at former gaseous diffusion facilities at Paducah, Kentucky, and Portsmouth, Ohio, where site remediation is still being conducted. This program includes activities and expenses associated with post-retirement life and medical benefits for contractor employees who served at the gaseous diffusion plants prior to the 1993 creation of the United States Enrichment Corporation, and for the retirees of the Ohio Valley Electric Company associated with the Portsmouth contract.
- Launched the Wage Determinations Online (WDOL) website in October 2003, which represents a collaboration by many Federal agencies.



- Established WDOL to serve as a resource outlining the applicable labor standards, Federal acquisition regulations, DOL handbooks and guidelines, and DOL compliance requirements. WDOL serves as a one-stop resource for Federal agency labor advisors, Federal contractors, union officials, and the public to access locality-based wage determinations (WD).
- Received Section 3161 appropriations for enhanced benefits for contractor work force restructuring. FY 2004 was the last year these were received.
- Revised the *Annual Report on Contractor Work Force Restructuring* to include only relative information on separations at nuclear defense sites due to voluntary and involuntary attrition and the associated program or Section 3161 costs. The revised report provides for a more streamlined and succinct reporting of contractor work force-related activity.
- Determination was made using locality-based DOL surveys as to whether workers on Federal contracts covered by SCA or DBA were paid appropriate wages. The survey data was analyzed and a monetary wage and fringe benefit recorded on the applicable WD.
- Determination was made by Federal procurement and industrial-relations specialists as to whether Federal contracts are covered by SCA or DBA and if so, then they access the applicable WD on WDOL.

FY 2005

- Hosted the 2004 Stakeholders Conference on Worker Transition and Legacy Benefits in Las Vegas, Nevada. The conference provided an exchange of information between DOE and stakeholders about worker transition, legacy benefits, and other legacy management-related issues.

FY 2007

- Completed a comprehensive analysis of the contractor benefits at LM's current sites and EM closure sites. The analysis resulted in changes to pension plan investment portfolios, and produced a more stable approach to budget formulation.

- Reached agreement with NNSA on the transfer of Pinellas-GE contractor benefits; that transfer (approximately \$3 million) will be effective in FY 2009.
- Submitted the FY 2006 annual report on contractor work force restructuring to Congress on Section 3161.
- Supported timely resolution of labor issues associated with security guards at the Pantex Plant in Texas.
- Supported work force restructuring activities at the following sites: Central Nevada Test Site, Nevada; Idaho National Laboratory, Idaho; Los Alamos National Laboratory, New Mexico; Oak Ridge (Y-12) Operations, Tennessee; Pantex Plant, Texas; Sandia National Laboratories, California and New Mexico; Savannah River Site, Georgia; and the Stanford Linear Accelerator Center, California.
- Moved WFIS from a network application to a Web-based system to allow sites to more efficiently input data on work force issues.

FY 2008

- Met with DOE-wide WFIS users on improving LM work force data products. LM is currently working on ways to improve the delivery of contractor headcount, separation, and annual report data in WFIS to accommodate users.
- Assisted many sites in developing general work force plans which provide a road map for how the contractor would implement long-term work force restructuring and identify the parameters of benefits to impacted employees if it became necessary at a site.
- Conducted work force restructuring training on June 19, 2008, in Seattle, Washington, for Federal employees and contractors on a variety of work force-related issues. The training provided an opportunity for review and discussion of the contractor work force restructuring process in accordance with Section 3161 and DOE policy.



Work Force Restructuring Benefits Contract

In FY 2007, LM signed a contract with Professional Services of America (PSA) for administrative support to meet LM's responsibility to provide post-closure benefits to involuntarily separated workers at the Fernald and Mound, Ohio; and Rocky Flats, Colorado, sites. The contractor has been tasked with reimbursing tuition, assisting with relocations, providing outplacement services and entrepreneurial resource programs, and tracking a preference-in-hiring program, among other administrative activities. The contract will run through February 21, 2009. PSA is directed by a Native American and is certified as a Women's Business Enterprise and a Small Disadvantaged Enterprise.